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September 07, 2010 FCC Mail Room

Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

To Whom It May Concern:

Attached you will find the System Audit Report and Auditor's Letter of Certification for Network Enhanced Telecom, LLP for the payphone compensation audit for 2010 as required by the FCC under Section 64/1310(a)(1) of the CC Docket No. 96-128. This audit attests to the fact that the company maintains a payphone compensation processing system that is compliant with the FCC's rules.

An additional requirement of the Commission is that the Completing Carrier must provide name and contact information for the person responsible for handling the payphone compensation and resolving disputes.

As of July 1, 2004, Network Enhanced Telecom, LLP contracted with Billing Concepts, Inc. to process and manage its payphone call records for payment to and dispute resolution with payphone service providers.

Provided below is our internal contact information as well as contact information for our payphone compensation clearing-house, Billing Concepts.

Completing Carrier: Network Enhanced Telecom, LLP

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Please file this audit of record with the FCC and provide a confirmation number to me as soon as possible.

Thank you for your assistance and please call me should you have any questions.

Sincerely,

A handwritten signature in cursive script, reading "Toni Van Burkleo".

Toni Van Burkleo
Chief Financial Officer

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Network Enhanced Telecom, LLP
dba NetworkIP
Longview, Texas

Report on Controls Placed in Operation
For The Dial-Around Compensation Services Procedures
and Tests of Operating Effectiveness

August 10, 2010



Report on Controls Placed in Operation for the Dial-Around Compensation Services Procedures
and Tests of Operating Effectiveness

Contents

| | |
|--|----|
| Contents..... | 2 |
| Independent Service Auditor's Report | 3 |
| Overview of Operations and Internal Control Features | 5 |
| Overview of Operations..... | 5 |
| General Operations..... | 5 |
| General Reconciliation Process..... | 6 |
| Call Records..... | 6 |
| BCI Reconciliation | 7 |
| NetworkIP DAC Exceptions | 7 |
| Reconciliation Process Detail of DAC for PSPs..... | 8 |
| Reconciliation Process Detail of Intermediate Carrier Records for PSPs | 9 |
| Disputes | 10 |
| Data Integrity | 10 |
| Internal Controls | 10 |
| Control Environment and Organizational Chart | 10 |
| Summary of Significant Control Objectives | 13 |
| Description of Controls and Tests Performed | 14 |
| KEY CONTROL OBJECTIVES..... | 14 |
| Key Control Objective #1 | 14 |
| Key Control Objective #2 | 15 |
| Key Control Objective #3 | 15 |
| Key Control Objective #4 | 16 |
| Key Control Objective #5 | 16 |
| Key Control Objective #6 | 17 |
| Key Control Objective #7 | 18 |
| Key Control Objective #8 | 18 |
| Key Control Objective #9 | 19 |
| Key Control Objective #10 | 20 |
| Other Information Provided by NetworkIP | 21 |
| Payphone Reporting Process | 21 |
| Intermediate Carrier to Completing Carrier Diagram..... | 22 |

Independent Service Auditor's Report

To The Partners
Network Enhanced Telecom, LLP dba NetworkIP
Longview, Texas

We have examined the accompanying description of the controls at Network Enhanced Telecom, LLP dba NetworkIP (NetworkIP) applicable to recordkeeping, reporting, and payment provided to payphone service providers serviced through NetworkIP's switches. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of NetworkIP's controls as it related to payphone service provider compensation, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and (3) such controls have been in place since June 30, 2009. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned controls of NetworkIP, presents fairly, in all material respects, the relevant aspects of NetworkIP's controls that have been placed in operation since June 30, 2009. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that dial-around compensation objectives, as documented in 47 C.F.R. Sections 64.1310(a)(1), 64.1320(c) and 64.1320(d) of the Federal Communications Commission's Rules and Regulations in CC Docket 96-128, would be achieved if the described controls were complied with satisfactorily and third parties applied those aspects of internal control contemplated in the design of NetworkIP's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the prior paragraph, we applied tests to specific controls, as listed in Summary of Significant Control Objectives, to obtain evidence about their effectiveness in meeting the related control objectives during the period of Q1 2010. The specified control objectives, controls, and the nature, timing, and results of the tests are listed in the Description of Controls and Tests Performed. This information has been provided to all interested parties. In our opinion, the controls that we tested are operating with sufficient effectiveness to provide material and reasonable assurance that the control objectives were achieved during the period between January 1, 2010 and March 31, 2010.

The relative effectiveness and significance of specific controls at NetworkIP and their effect on assessments of control risk for payphone service providers are dependent on their interaction with internal control, and other factors present at payphone service providers and payphone service provider aggregators, as well as the internal controls of third parties involved in NetworkIP's processing of payphone service provider dial-around compensation. We have performed no procedures to evaluate the effectiveness of internal control at any third party associated with this process.

The description of controls at NetworkIP is as of June 30, 2010 and information about tests of the operating effectiveness covers the period from January 1, 2010 to March 31, 2010. Any projection of such information into the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specific controls at NetworkIP is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected.

Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in the processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for use by management of NetworkIP, Billing Concepts, Inc., payphone service providers, facilities-based long distance carriers from which NetworkIP receives payphone calls, other vendors of interest and the Federal Communications Commission in verification of fulfillment of Order 96-128, and the independent auditors associated with such organizations.

Curtis Globely & Co., P.C.

Longview, Texas

August 31, 2010

Overview of Operations and Internal Control Features

Overview of Operations

Dial-around compensation (DAC) is the system whereby owners of payphones are compensated when an end-user uses a toll free service to place a long distance call rather than placing coins in a payphone to pay for the call. When this occurs, the last carrier in the call stream must pay the payphone owner a fee. Payphone Service Providers (PSPs) and/or their aggregators bill the switched based resellers (SBR) by providing a list of automatic number identification (ANIs) on which they are requesting to be compensated. The SBR matches those ANIs to Call Detail Records (CDRs) from its switch, and pays on all calls that require compensation per the FCC's current payphone compensation order. The SBR's call processing platform captures all relevant data pertaining to payphone calls.

Beginning on April 1, 2004, NetworkIP entered into an agreement with Billing Concepts, Inc. (BCI) to provide an outsourced solution to the record-keeping, validation and payment of dial-around compensation (DAC) requirements and record-keeping for intermediate carrier records. BCI provides reconciliation and payment services with regard to PSP compensation for NetworkIP. This process is internal to BCI and has been audited by its independent auditors. While NetworkIP may reference aspects from their report in describing the overall process, Curtis Blakely & Co., PC has not audited these systems and processes, and is relying on the information provided and audited by BCI and their independent auditors, Padgett, Stratemann & Co., LLP.

In the quarter under review and for all quarters since July 1, 2004, all requests for payments from PSPs and PSP aggregators seeking compensation from NetworkIP for DAC have submitted their payment requests to BCI for processing. NetworkIP performs detailed reconciliation processes as it pertains to the accuracy, timeliness and completeness of the records for DAC.

General Operations

NetworkIP is an application service provider who offers toll free and termination services to its customers who resell these services to their customers (End-Users). The calls processed through NetworkIP's switch utilize many methods of access, including but not limited to payphones.

Since NetworkIP is an SBR, not a LEC, NetworkIP does not have a direct relationship with the PSPs or PSP aggregators. NetworkIP has contracted with BCI to manage payment requests from the PSPs and PSP aggregators. The PSPs submit their ANIs and/or invoices to BCI and BCI keeps an ANI master list with status and status codes, which are validated by the LECs. After each quarter, an invoice is sent to NetworkIP by BCI with the total claim of calls for particular quarters that are processed through NetworkIP's switches. NetworkIP records every call coming into its switch. An infodigit (2-digit code assigned by the LEC,) which determines whether the call originated from a payphone, is populated in the call record. NetworkIP's proprietary software platform allows generation of monthly reports that identify which completed calls are compensable payphone calls (DAC calls). In addition, it allows generation of reports for all payphone calls (complete and incomplete) that must be reported to BCI as intermediate carrier calls (Transfer Records). Once the two types of calls are identified, files containing these calls are uploaded to BCI. BCI reconciles the call data against the ANIs invoiced. Reports are prepared which

summarize the calls that are reconciled, suspended, or back-paid, and an invoice is sent to NetworkIP for payment. NetworkIP reconciles the call counts on the invoice to its call counts per internal reports. A wire transfer payment is made to BCI. BCI prepares a report summarizing the calls matching the PSPs' ANIs and remits payment to the PSPs and/or PSP aggregators. Disputes from the PSP are generally handled by BCI and/or the LEC.

General Reconciliation Process

NetworkIP utilizes three switches to transport calls, but all call processing is performed on NetworkIP's proprietary software platform referred to as Distributor Services Management System (DSMS). This platform routes, rates, and records vital information pertaining to the call. Call Detail Records (CDR) are created on a real-time basis and then transferred into an Informix database.

Call Records

NetworkIP's DSMS ensures the completeness and accuracy of the call records throughout the call processing cycle.

Each toll free Dialed Number Identification Service (DNIS) accessing the switch is cross-referenced to a single customer's account. If a toll free number is dialed and the switch does not recognize the number, the call is not processed by the switch.

When a call is originated, a CDR begins to be written to a CDR database. The NetworkIP platform will attempt completion for up to thirty seconds before terminating the call and determining it to be an incomplete call. An answered call is considered a completed call. The DSMS populates CDR fields to identify the origination and completion information for each CDR. Specific fields used to identify a payphone call include:

- Infodigit Field – Identifies which type of payphone service originated the call. Digits 25, 27, 29 or 70 are the proper identifiers for payphone calls. These 2-digit codes are assigned to the payphones by the Local Exchange Carrier (LEC).
- Payphone Flag Field – Determines whether or not the call originates from a payphone. This field is flagged with either a "1" (paystation) or "0" (non-paystation).
- Outbound Flag Field – Determines whether or not the call was completed in the platform. This field is flagged with either a "1" (completed) or "0" (non-completed).

Call records are processed through DSMS and an internal billing platform database called ODESSI. Within five minutes, each CDR is duplicated onto an ODESSI database table. ODESSI programs add additional information which pertains to billing the call to NetworkIP's customers. ODESSI summarizes each call and stores the information in additional database tables. In ODESSI, each CDR file, containing multiple records, is parsed every five minutes by a program called smart-loader. The smart-loader uploads payphone records into a database table named cdr_payphone_yyyymm based on the "start_date" field and the

infodight ("ani_id"), which must be one of the following: 25, 27, 29, or 70. The cdr_payphone table contains one month's worth of payphone call records and is used solely to feed records to BCI each month.

BCI Reconciliation

Payphone records are exported from the cdr_payphone table into two separate data files containing DAC calls and Intermediate Carrier calls and then uploaded to BCI. These files are prepared on the second day of each month for the previous month. The calls sent to BCI match the following criteria:

For DAC calls:

- The billing service is not "Service 11", a tandem service (a termination service where NetworkIP's customer is the last carrier in the call stream and is responsible for collection and remittance of payphone compensation).
- Inbound trunk groups are not present in the exclusion list ("CSF/TDM Trunk List Management").
- The inbound trunk group is not a Customer Supplied Facility (CSF) trunk group (If CSF, the customer has DAC responsibility).
- Distributor payphone charge field is greater than \$-0-.
- The DNIS begins with 800, 866, 877 or 888.
- Payphone flag is represented with a "1", (representing a call from a payphone).
- Outbound flag is represented with a "1", (representing the call received answer supervision from the end user and is a completed call).
- Calls that originate from a Canadian Payphone do not fall under the guidelines specified by the FCC 47 C.F.R. Sections 64.1310(a)(1), 64.1320(c) and 64.1320(d) of the Federal Communications Commission's Rules and Regulations in CC Docket 96-128.

For Intermediate Carrier calls:

- Billing Service is Service 11, Tandem.
- DNIS begins with one of the following: 800, 866, 877 or 888.

The records are written to a file according to the file format required by BCI, including DNIS, ANI, Carrier Identification Code (CIC), Time, Date and Duration. Three data files are sent to BCI: (1) data file containing the payphone records for DAC, (2) a data file containing the intermediate carrier records, and (3) a contact file containing carrier contact information. The file is then compressed and sent via file transfer protocol (FTP) to BCI on the fifth day of each month for the previous month's records. An email is sent to BCI with the filename, line count, and MD5 checksum for each file sent. Once validated, BCI backs up the file to CD, copies it to the server, and processes the information. BCI then sends email notice of receipt of the files and the call count in each file.

NetworkIP DAC Exceptions

Centris 1+ – For these call records, a direct-dialed long distance (1+) call funded through coin at the payphone site, which use the 8xx access numbers to access the Operator Service Provider's platform to achieve completion is exempt.

Centris Toll Free – For these call records, Centris has given NetworkIP a list of DNIS's that should be included for payphone compensation and all others are exempt. For the DNIS's that are exempt, Centris has a special exemption agreement with their customers.

NCIC - For these call records, NCIC has given NetworkIP a list of DNIS's that should be included for payphone compensation and all others are exempt. For the DNIS's that are exempt, NCIC has a special exemption agreement with their customers.

Comling - For these call records, Comling has given NetworkIP a list of DNIS's that should be included for payphone compensation and all others are exempt. For the DNIS's that are exempt, Comling has a special exemption agreement with their customers.

Reconciliation Process Detail of DAC for PSPs

BCI performs its reconciliation processes on a quarterly basis. BCI compares ANIs reported by the PSPs to the files with calls provided in the cdr_payphone file from NetworkIP. BCI validates the claims for payment by the PSPs.

The PSPs and/or PSP aggregators submit their ANI information directly to BCI who ensures that the PSPs are properly grouped by each company number. PSPs are able to make claims for the current quarter and the prior six quarters.

BCI is responsible for validating the files submitted by the LECs and the PSPs, creating the databases and updating them for the new information and disconnect information provided each quarter. A utility program is used to process the disconnect files and the LEC and PSP files (prior quarter changes are processed at the same time as the current quarter files). This process creates reports which are stored and archived to CD. Calls are sorted into categories by ANI validation flag. Invalid claims are kept in a suspense account in case of a later claim by the PSP.

At this point, ownership errors are identified and verified manually by BCI. ANI discrepancies are resolved first by comparing the data to the prior quarter to identify the error. If the ANI is not located, it is reported to the PSP and the payment information is updated.

Once the errors have been corrected, ANI status report files are created for each PSP satisfying the reporting requirement to the PSP. An ANI Master List File is generated, and several reports, including ANIs assigned to PSP IDs and names are generated from this Master List File.

When the call records have been processed by BCI and the invoice summary table has been updated, the processing clerk for BCI checks for fraudulent ANIs. The BCI reconciliation process includes a potential fraud check which is currently set to 720 calls per ANI per month which triggers a fraudulent report and denies the PSP claim automatically. This threshold is determined by each SBR and BCI sets the default to 720 calls per ANI per month. However, BCI's clients may request a higher or lower threshold based on their company's trends or knowledge of particular traffic patterns. Any ANI report having a count in excess of this amount is identified as an exception and further investigation is undertaken by NetworkIP.

Report on Controls Placed in Operation for the Dial-Around Compensation Services Procedures and Tests of Operating Effectiveness

The call records are compared to the ANI master database for the quarter. Calls are sorted by the ANI Validation status as required. Quarterly reports are generated 65 days after the quarter close. The reports indicate amounts to be remitted to BCI by NetworkIP for the benefit of the PSPs.

The quarterly reports summarize call records processed into one of the following categories:

- **No Claim** – Reflects calls associated with ANIs belonging to payphone owners that have not yet requested compensation from NetworkIP's customer for the applicable quarter.
- **Claim Validated** – Reflects calls associated with ANIs belonging to payphone owners that have requested compensation from NetworkIP's customer for the applicable quarter and BCI has been able to verify that the claimant is the legal owner.
- **Claim Not Validated** – Reflects calls associated with ANIs belonging to payphone owners that have requested compensation from NetworkIP's customer for the applicable quarter, but the LECs have not reported ownership information for the non-validated ANIs.
- **Suspense** – Reflects calls associated with ANIs involved in an ownership dispute. Ownership disputes result when the LEC reported ownership information does not match the PSP ownership information, or when multiple PSPs claim ownership of the same ANI and the LEC information does not support any of the claims.
- **High Volume Calls** – Reflects calls associated with ANIs that have exceeded the customer-defined threshold for number of calls per ANI per month. NetworkIP's customers may adjust their threshold each quarter. These High Volume Calls are reported to NetworkIP's customers for further investigation.

When PSP payments are approved and remitted by NetworkIP, BCI prepares a payment summary report that is sent to the PSPs with their compensation.

Once payment is complete, the payment detail file is used to note the payment date in the Call Record entries and stored in the Invoice Summary tables. The Invoice Summary tables note which calls have been remitted and which remain outstanding due to ANI validation dispute or fraud.

When a quarter becomes ineligible for payment request, unpaid Call Records are marked as Expired on the Invoice Summary report. All unclaimed call records are expired by the program. "No Claim" calls are accrued by NetworkIP until the six quarter limitation for back-claims has passed. After that time, NetworkIP no longer continues to show those amounts as a liability.

Quarterly information is stored at a minimum by BCI for 27 months. Stored databases at BCI are analyzed periodically to ensure the data remains intact.

Reconciliation Process Detail of Intermediate Carrier Records for PSPs

The process for reconciling intermediate carrier records is the same as DAC records except there is no money transferred to the PSPs. NetworkIP extracts call records relevant to Intermediate Carrier Records, submits to BCI via FTP transfer and BCI validates the intermediate carrier records and sends them to the PSPs and/or their aggregators.

Disputes

If a PSP or aggregator has a dispute about a payment, the PSP can request that its original file (or a newly submitted file) be checked in greater detail. BCI will try to resolve the issue by reviewing the reports. If BCI management cannot resolve the dispute, the information is passed on to the SBR to obtain additional information.

Data Integrity

The Chief Financial Officer (CFO) and Systems Administrator acknowledge that all records have been kept since inception and information related to the CDRs is maintained on the system for twelve to fourteen months. The data is archived to a either CD or external hard drive monthly. Recent events required NetworkIP to retrieve archived data and the retrieval was successful.

Internal Controls

Control Environment and Organizational Chart

NetworkIP's System Engineering and Platform Support Group have duties that include support/maintenance of the platform. This group would program the system to recognize infodigits and other information relevant to the payphone calls. Only authorized employees have access to the switch, the platform, and to the CDR databases. Access is limited, user-profiled and secure.

Monthly reports are gathered and transmitted to BCI by NetworkIP's Software Engineer. A summary is sent to NetworkIP's Carrier Billing Manager, who reviews the reports on a monthly basis. The Carrier Billing Manager reconciles the summary to the reports from ODESS before the Software Engineer transmits them to BCI to ensure that they appear to be materially accurate. If there are discrepancies, the Software Engineer will rerun the report, review the report manually and correct any errors.

At this point, the remainder of the processing of PSP compensation is processed by BCI and is reliant on their internal control structure.

The payment detail report is received within 65 days after the quarter end and is reviewed by the Carrier Billing Manager. The payment detail report is compared with prior quarters for reasonableness and reconciled to summary monthly reports on payphone records collected. After review, it is approved by the CFO. Approval is communicated to BCI and payments are made by BCI to the PSPs by the end of the month. Approval and preparation of reporting information responsibilities at NetworkIP are segregated duties.

The BCI reconciliation process and overall integrity of the DAC system rely on several internal controls to ensure the integrity of the system. These controls are communicated and complied with by NetworkIP in the following:

General Contract and Regulatory Requirements

The agreement between BCI and NetworkIP states each company and its representatives are responsible for maintaining compliance with laws, regulations, tariffs, and other general requirements in the course of doing business. NetworkIP has provided documentation that they recognize these requirements and understand their responsibility to comply with them. The integrity of the compensation system requires that BCI remains in compliance with all their attestations under the agreement.

Access Controls

NetworkIP has maintained sufficient controls over who has access to the switch and the reporting systems and under which circumstances change and updates can be performed. The controls in place include:

- Limited and monitored physical access to switch facilities.
- Segregation of duties among report generation, reconciliation, and payment approval.

File Completeness and Timeliness

NetworkIP provides complete files, including completed call records for payphone originated calls. They are responsible for the completeness, accuracy, and timeliness of the call record files. The controls in place to provide such files are:

- Payphone logic that is standardized and verified.
- Easily tracked sorting and filtering parameters.
- Verification fields in the reports.
- Monthly reports generated on the second and transferred on the fifth of the subsequent month.

Payment Authorization

NetworkIP reviews BCI's quarterly invoice and authorizes BCI to make payments to PSPs and/or aggregators from the summary payment documents submitted and validated by BCI. Proper approval is controlled by the CFO.

Completeness of Records Processed

NetworkIP validates the summary payment reports received from the reconciliation process at BCI by creating a reconciliation report by month to ensure that all calls sent were processed. This ensures that the quarterly reports provided by BCI summarizing the number of records received and results of the processing, including the payments made on their behalf, are reconciled to the total number of records submitted.

Dispute Resolution

The FCC requires a standardized data reliant process is in place to settle disputes. NetworkIP allows BCI to handle all disputes between the LEC and PSP with regard to ANI and ownership, and to provide necessary detail support to validate any particular claim against a CDR or its DAC status.

Payment Rate

NetworkIP uses the default rate when paying PSPs. There are no exceptions. Internal controls relating to rate verification include validating on BCIs summary report that all calls are paid at the \$0.494 rate per eligible call.

Fraudulent Call ID

BCI has a standard threshold for investigating fraud which appears reasonable. NetworkIP can adjust this threshold if necessary by notifying BCI. Only specific NetworkIP personnel can approve the change. All ANIs, where fraud is suspect, are identified by BCI personnel for further investigation by the PSP and SBR.

Contingency Procedures

Before the adoption of the BCI external process, NetworkIP previously reconciled payphone records with the originating carriers and made payments to those carriers who were responsible for payment to the PSPs. BCI provides NetworkIP with a copy of their ANI Master List on a quarterly basis. In the event of an emergency or BCI's inability to process the records, NetworkIP would either request that another clearinghouse process their records or NetworkIP would update the last available ANI Master List by obtaining all ANI updates from the PSPs and process the records internally.

Summary of Significant Control Objectives

The principle objectives of the system of internal controls pertaining to recordkeeping, reporting, and payment verification are as follows:

- Policies and procedures are in place to ensure payment rates conform to FCC rules, either by default or as agreed to between parties.
- Policies and procedures are in place relating to reporting elements as required in the outsourced service agreement.
- The data retention period complies with FCC rules.
- Procedures are in place to establish, corroborate and validate proper PSP ownership.
- System reporting for all eligible calls is both accurate and complete.
- Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to NetworkIP's system requirements.
- Specific personnel have been identified for verifying compensation to PSPs.
- Specific personnel have been identified for handling dispute resolution with PSPs.
- Quarterly reports are verified for payphone call counts, ANIs, DNIS, Time, Date, Duration, and infodigits.
- Procedures are in place to identify and investigate potentially fraudulent calls and an attempt is made to resolve these issues.
- Policies and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC.
- Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results of processing such records.

Description of Controls and Tests Performed

Curtis Blakely & Co., P.C.'s test of the effectiveness of the policies, procedures, and controls included tests we considered necessary to evaluate whether those controls, and the extent of the compliance with them, is sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the period between January 1, 2009 and March 31, 2009. Our tests of the operational effectiveness of controls were designed to cover the period from January 1, 2009 through March 31, 2009.

Test procedures performed in connection with determining the operational effectiveness of controls are described as follows:

| TEST | DESCRIPTION |
|--|--|
| <ul style="list-style-type: none">• Corroborative Inquiry | Made inquiries of appropriate personnel and corroborated responses with other personnel to ascertain the compliance of controls. |
| <ul style="list-style-type: none">• Observation | Observed application of specific controls. |
| <ul style="list-style-type: none">• Inspection of Evidentiary Material | Inspected documents and reports indicating the performance of the systems and controls. |
| <ul style="list-style-type: none">• Transaction Testing | Used reports to recreate and document controls. |

KEY CONTROL OBJECTIVES

Key Control Objective #1

Policies and procedures are in place to ensure payment rates conform to FCC rules, either by default or as agreed to between parties.

Policy or Procedure

NetworkIP has established policies and procedures to ensure that the rates conform with the FCC rules.

Tests Performed

- BCI calculates NetworkIP's DAC obligations based on the rates negotiated between the SBR and the PSP, or where applicable, the rates included in FCC Order 96-128. NetworkIP has no agreements for alternative rates with PSPs. All rates, at this point, are the FCC default rate, which is currently \$0.494 per compensable call.
- We reviewed the DAC service summary report, noting that the calls paid for the quarter for PSPs of carriers processed by BCI were at the default rate of \$0.494.
- Through interviews with appropriate personnel, we confirmed that there were no agreements for alternative rates with PSPs.

Report on Controls Placed in Operation for the Dial-Around Compensation Services Procedures
and Tests of Operating Effectiveness

Results of Tests

No relevant exceptions noted.

Key Control Objective #2

Policies and procedures are in place relating to reporting elements as required in the outsourced service agreement.

Policy or Procedure

BCI reports are prepared on a quarterly basis for use by LECs, SBRs and PSPs detailing the calls that originate by owner, the rate paid on each of those calls, carrier IDs, and information regarding the validity of the claim presented. Additional reports may be constructed for any party including ANI Master Lists, potentially fraudulent calls, dispute items, and other, as deemed necessary by any party.

Tests Performed

- We reviewed the reports provided by BCI, noting they were reconciled against internal reports by the carrier billing manager.
- For the category "unmatched records", we noted the detail for these calls was provided for accrual and investigation purposes.

Results of Tests

No relevant exceptions noted.

Key Control Objective #3

The data retention period complies with FCC rules (3 years).

Policy or Procedure

CDR's are stored locally on the server as long as there is enough space to hold them; with at least 1 year available on-site. A backup copy is created nightly, stored on tape, and sent to an off-site location. According to the systems administrator, NetworkIP has a 7 year retention period on all CDR data. The archived data was successfully retrieved by the Operations Department.

Test Performed

- We inquired of the systems administrator that regular backups are created and stored at a secure off sight facility.
- We viewed the CDR database noting records were accessible in the system back to January, 2007.

Results of Tests

No relevant exceptions noted.

Key Control Objective #4

Procedures are in place to establish, corroborate and validate proper PSP ownership.

Policy or Procedure

Since NetworkIP does not deal with the PSP directly, it relies on the controls at BCI and the LEC to validate PSP ownership. To validate PSP ownership of the ANI being claimed by any specific PSP, the LEC is required to provide to BCI a list of all ANIs for which the LEC provided dial-tone service during the quarter. In this way, every claim for compensation should be verified by LEC information validating the owner and the ANI.

Test Performed

We reviewed the Internal Control report of BCI and noted their auditors have tested PSP ownership validation and concur with the steps taken to verify such.

Results of Tests

No relevant exceptions noted.

Key Control Objective #5

System reporting for all eligible calls is both accurate and complete.

Policy or Procedure

Refer to previous information in this report for a detailed description of payphone flag validation. The platform generates call detail records with payphone flags and infodigits. Any call with a payphone flag is picked up in a summary report run from the Informix reporting database and processed to BCI. These summaries are uploaded to an FTP site maintained by BCI. The system automatically generates an email to appropriate personnel summarizing the data reported to BCI. The carrier billing manager generates an ODESSI report to reconcile the number of CDRs to the number reported to BCI.

The ODESSI report is filtered according to the same parameters used to create the CDR file. We noted these parameters exclude Billing Service Code 11, Canada originated calls, as well as, Local Access Trunk Group ID #'s 7128, 7207, 7217, 424, 522, 647, 4126, 4128, 4208, 4213, 4216, 9123, 9128, 9130, 9131, 9207, 9213, 9216, 9300, 583, 4245, and 9245. Billing Service Code 11 is for Intermediate Carriers, for which all calls are reported to BCI, not for compensation, but for the data to be provided to the PSPs and/or their aggregators.

Tests Performed

- We interviewed personnel responsible for various aspects of the reconciliation process to gain an understanding of the process and the internal control environment.
- We reviewed the payphone logic and determined the field parameters are sound.
- We successfully recreated the file for a selected test month noting the CDRs agreed to the CDRs sent to BCI for the test month. Also, we statistically sampled calls from the newly generated CDR file for those dates to the payphone reports generated for BCI, noting the entire sample of payphone flagged calls tested appears on the BCI report.
- We reviewed the reconciliation of the BCI payment report to the NetworkIP monthly reconciliation report.
- We recreated the reconciliation through ODESSI for the selected test month.

Results of Tests

No relevant exceptions noted.

Key Control Objective #6

Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to NetworkIP's system requirements.

Specific personnel have been identified for verifying compensation to PSPs.

Specific personnel have been identified for handling dispute resolution with PSPs.

Policy or Procedure

NetworkIP has substantially segregated and assigned responsibility for drafting and maintaining necessary business requirements such as switch program logic, report preparation and formatting, validation of payment to PSPs and validation of reporting to various parties within the NetworkIP organization.

Tests Performed

We interviewed various personnel to understand their roles in the DAC process, noting:

- The Systems Engineering Department is responsible for the validity of the initial CDRs.
- The Software Engineer runs the report in Informix that is ultimately the basis for the formatted report that is submitted to BCI.
- The Carrier Billing Manager verifies through the ODESSI system that the call records that were sent for payment validation are consistent with the payphone flagged CDRs that are presented through the platform originally.
- After review of the report sent by BCI, the CFO authorizes the wire transfer to BCI which enables payments to be made to the PSPs.

Report on Controls Placed in Operation for the Dial-Around Compensation Services Procedures
and Tests of Operating Effectiveness

- The Carrier Billing Manager has been designated as the employee responsible for resolution of any disputes with PSPs.

Results of Tests

No relevant exceptions noted.

Key Control Objective #7

Quarterly reports are verified for payphone call counts, PSP identities, numbers called, and infodigits.

Policy or Procedure

The detailed process narrative for BCI explains the procedures for generating these reports in greater detail. NetworkIP ensures that BCI has monthly files of CDRs with ANIs, DNIS, CIC, Date, Time, and Duration so originated calls with eligible DAC can be determined, and validated ANIs, non-validated ANIs, potentially fraudulent calls, and calls with ownership issues can be identified.

Tests Performed

We reviewed the reconciliation report run from ODESSI and compared it to the summary payment report generated by BCI.

Results of Tests

No relevant exceptions noted.

Key Control Objective #8

Procedures are in place to identify and investigate potentially fraudulent calls and issues are resolved.

Policy or Procedure

The introduction of BCI is an improvement to the identification and investigation of fraudulent calls. A report is run by BCI on each ANI to determine if the call volume exceeds the threshold of 720 calls per month. For all ANIs exceeding this limit, a fraud report is prepared and submitted to NetworkIP, the PSP and the LEC. This report includes the ANI, PSP and call count. Once the call is validated by the PSP through BCI, payment is remitted for these CDRs and the PSP is compensated. BCI provides NetworkIP with a summary of CDRs which have not been validated from the previous six quarters.

Tests Performed

We inquired of personnel about the process of resolving the fraudulent calls. We noted that it is ultimately the PSPs responsibility to investigate possible fraudulent records and validate them. The DAC is put into a suspense account until it is resolved.

Results of Tests

No relevant exceptions noted.

Key Control Objective #9

Policies and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC (3 years).

Policy or Procedure

See the narrative on DAC reconciliation and payment process above for greater detail. In summary, CDRs from the switch are sorted for payphone flags. These records are summarized in the appropriate format for BCI, who validates, reconciles and pays PSPs based on the information provided from the platform, the LEC and the PSP. A summary report of valid and invalid claims is sent to NetworkIP each quarter, which validates the report before wiring funds for payment to the PSP.

All data is stored on tapes at an off-site location, and twelve to fourteen months are stored live on the system. Per discussion with key personnel, this data has been taken out and restored to an active, but not live status in order to retrieve archived data.

Tests Performed

- We interviewed personnel responsible for various aspects of the reconciliation process to gain an understanding of the process and the internal control environment.
- We witnessed the recreation of the file sent to BCI without exception. We also statistically sampled calls from the original CDR for those dates to the payphone reports generated for BCI, noting the entire sample of payphone flagged calls tested appears on the BCI report.
- We recreated the reconciliation of the BCI payment report to the NetworkIP monthly reconciliation report.

Results of Tests

No relevant exceptions noted.

Key Control Objective #10

Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect the integrity of the records processed or the results of processing such records.

Policy or Procedure

NetworkIP has established policies and procedures regarding system changes, including specific policies regarding:

- System change approval.
- Identification of responsible persons.
- System security controls.
- Program security controls.
- Capabilities to test changes and compare to known results.

Tests Performed

We interviewed key personnel and reviewed the logic associated with generating payphone flags as well as re-origination flags and completed calls. We reviewed documentation with regard to the above and noted it was consistent with stated policy. We also noted there is limited access to the platform and only authorized personnel can make system changes.

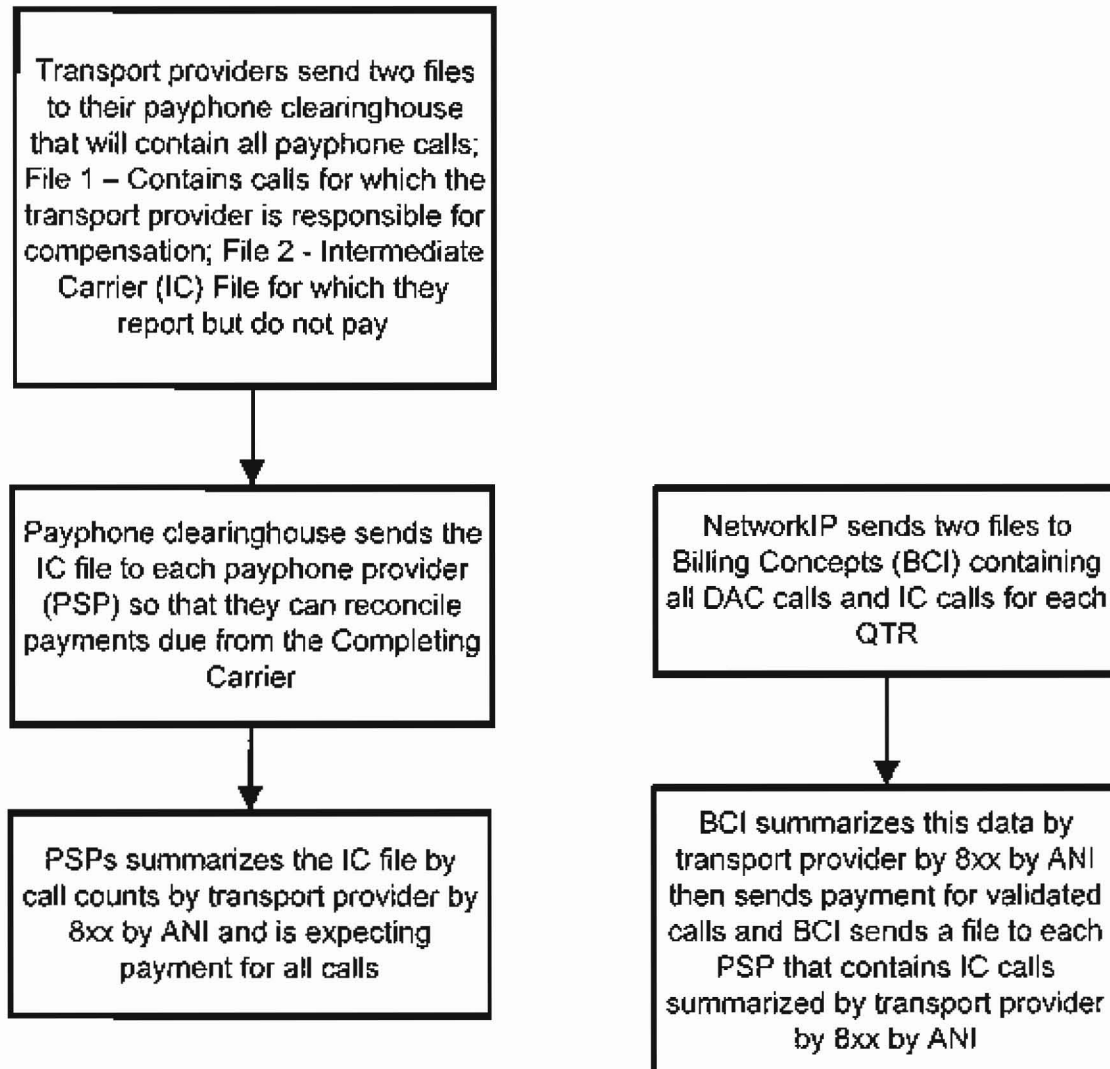
Results of Tests

No relevant exceptions noted.

Other Information Provided by NetworkIP

The following flow charts provide an understanding of the dial around compensation services procedures and are not intended to describe responsibilities between NetworkIP and other organizations:

Payphone Reporting Process



Intermediate Carrier to Completing Carrier Diagram

